



Charles Prince  
Chairman & CEO  
Global Corporate & Investment Bank  
Tel 212 816 8854  
Fax 212 816 8877  
princec@citigroup.com

July 28, 2003

By Hand

Robert Morgenthau, Esq.  
District Attorney of New York County  
One Hogan Place  
8th Floor  
New York, NY 10013

Re: Citigroup, Inc.

Dear Mr. Morgenthau:

I write this letter in connection with your decision that no prosecution of Citigroup or its employees is warranted with regard to certain structured finance transactions that we executed with Enron Corp.

I want to assure you, both personally and on behalf of Citigroup, that the Enron transactions do not reflect our current standards and they would not happen now – and will not happen in the future – at Citigroup. During the past year we have worked hard to reinforce the high standards for integrity and transparency that Citigroup, as a leading financial institution, should meet.

In that regard, Citigroup announced in August 2002 a new transparency policy, saying in essence that we would execute certain non-debt financings for companies only if those companies agreed clearly to disclose the net effect of the financings on their financial conditions. We announced this “net effect” rule for two reasons: first, to encourage companies to account for financing in a transparent manner, so that investors can adequately assess the net effect of the transaction on the financial condition of the company; and, second, because we simply did not wish to be a party to transactions that fail to meet a high standard of transparency.

In the months since we announced our structured finance initiative, we have committed very significant resources to its implementation and enhancement. By way of example, we have substantially completed training of more than 2,000 employees in the United States. Indeed, we have already trained a majority of more than 9,000 employees worldwide in the details of our new or enhanced policies. Following the issuance of the August 2002 policy statement, a control group consisting of the heads of our Legal, Risk Management and Corporate Finance/Accounting groups was formed to

Citigroup Global Markets Inc. 388 Greenwich Street 39th Floor New York, NY 10013

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Fax: 212-571-0726

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Robert Morgenthau, Esq.

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implement the policy statement and ensure that complex structured finance transactions were evaluated and entered into in accordance with the policy statement. On February 10, 2003, the company issued detailed policy guidelines as to the transactions covered by the policy and the disclosure requirements thereunder. The working group has continued to monitor the implementation of the guidelines and issued an amended set of guidelines in June 2003 that, among other changes, refined certain monitoring procedures and documentation requirements under the policy. The company has also implemented a stringent auditing program for complex structured finance transactions. Since the inception of the structured finance initiative, Citigroup's Audit and Risk Review ("ARR") unit has taken steps to address the "auditability" of the initiative, i.e., making sure that there is a sufficient "audit trail" so that compliance can be evaluated on an ongoing basis as part of the company's audit program. ARR also has audited and will continue to audit compliance by relevant business units with the company's policies applicable to complex structured finance transactions.

We have provided your Office with many of the details of our program, including policy statements and guidelines, training materials and calendars, and information about our audit program. Also, we have implemented changes in our policy and procedures with regard to the creation of special purpose entities, both onshore and offshore -- a topic that I understand to be of particular concern to your Office. Under our enhanced procedures, the establishment of a special purpose entity related to a client financing requires an internal certification that the financing meets the applicable disclosure and transparency requirements of our structured finance initiative.

Further details, including a comprehensive compliance plan, have been and will be provided to the banking regulators who will be reviewing our compliance in this area going forward. As you are aware, we have reached agreements regarding Enron-related matters not only with your Office, but also with the Securities and Exchange Commission, the Federal Reserve Bank of New York, and the Office of the Comptroller of the Currency. We will be bound by our agreements with these agencies, and intend to comply fully with our obligations going forward.

We are confident that the measures we have adopted will protect our reputation and franchise, strengthen the safety and soundness of Citigroup, and promote transparency going forward.

We at Citigroup understand our role as a leader. We intend to lead not just in the financial success of our business, but also in the standards by which our business is conducted. Our 260,000 employees, and our millions of customers around the world, depend on our reputation for integrity, and we are determined to protect and enhance that reputation in all that we do.

Sincerely yours,

